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SIPDIS

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SUBJECT: Sri Lanka: Implications for U.S. policy of possible post-election scenarios

Refs: Colombo 564, and previous

(U) Classified by Ambassador Jeffrey J. Lunstead.  
Reasons 1.5 (b, d).

1. (C) SUMMARY: This message reviews the implications for U.S. policy of possible scenarios resulting from Sri Lanka's April 2 parliamentary election. The two most likely post-election scenarios are:

-- (A) The President's UPFA grouping wins outright or is able to cobble together a majority in Parliament. As outlined in Reftel, this outcome could put the peace process and economic reforms at risk. Also, while bilateral ties would remain positive, they would probably be a bit cooler; and,

-- (B) The PM's UNP is able to form a government on its own or more likely via an alliance of convenience with the pro-LTTE TNA grouping. Under this scenario, the peace process and economic reforms would continue, although stressful cohabitation ties would remain in place.

Outside of these two likely scenarios, there are other considerably less probable outcomes, including: a hung parliament, which would create a very fluid situation as parties scrambled for power for an indefinite period; and the President's SLFP and the UNP (or elements thereof) forming a "national unity" government. This latter possibility might be a favorable outcome depending on how it is done.

2. (C) SUMMARY (continued): If the election is a close one (as is widely expected), there almost certainly will be significant political maneuvering in the post-election period and it may take some time before a new government is formed. Given the tense, confusing situation that may prevail, we recommend that the U.S. remind the parties, as necessary, to respect democratic norms and to work together in the national interest.  
END SUMMARY.

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Likely Scenario #1: UPFA wins  
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3. (C) Campaigning for Sri Lanka's April 2 parliamentary election wrapped up on March 30 per regulations. At this point, it seems unlikely, given Sri Lanka's complex proportional electoral system (see Reftels), that any of the parties will win a landslide victory, or even obtain an absolute majority of 113 seats in the 225-member Parliament. One of the most likely scenarios at this time is that the alliance between President Kumaratunga's Sri Lanka Freedom Party, "SLFP," and the radical Janatha Vimukthi Peramuna, "JVP," wins the largest number of seats. (The SLFP-JVP combine's technical name is the United People's Freedom Alliance, "UPFA.") Polls and other anecdotal evidence suggest that the UPFA would probably not win outright by gaining enough seats on its own to form a majority in Parliament. The UPFA might, however, be able to put together a majority after the election by obtaining the support of smaller parties eager to be in government. Observers believe, for example, that the Jathika Hela Urumaya (JHU), which is running an all-Buddhist monk candidate slate, may decide to support the UPFA under certain conditions. In addition, the Sri Lanka Muslim Congress (SLMC) and the tea estate Tamil Ceylon Worker's Congress (CWC) might move from supporting Prime Minister Wickremesinghe's United National Party (UNP) to the UPFA if the opportunity presented itself. It is also possible that some MPs may defect from the UNP and join the UPFA if they were assured that they would receive ministerial positions (see more on this type of scenario in para 8).

4. (C) If the UPFA wins the election, one possible

positive is that it would end Sri Lanka's tense cohabitation situation. This would allow the UPFA government to move forward with its plans for the country in an unfettered manner. That said, as outlined in Reftel, the problem for the U.S. is that the UPFA's plans themselves are problematic. A UPFA victory could put the peace process at risk, for example, as it is unclear how effective President Kumaratunga leading a government in coalition with the anti-peace process JVP would be in dealing with the Liberation Tigers of Tamil Eelam (LTTE). Moreover, a win by the alliance would pose serious questions about the direction of GSL economic policy and reform. With respect to bilateral ties, a UPFA government would almost certainly be more difficult to deal with and less responsive to our positions on international matters. We would expect the UPFA to continue the policy of trying to reach a Free Trade Agreement (FTA) with the U.S., though how committed and capable a UPFA government would be in negotiations on the matter is uncertain.

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Likely Scenario #2: A UNP/TNA linkup  
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15. (C) Another likely post-election scenario involves the UNP being able to form a government on its own, or more likely via an alliance of convenience with the pro-LTTE Tamil National Alliance (TNA) grouping. Most observers believe that the UNP probably will be unable to win 113 seats or more (with allies, it now controls about 114 seats), but will have to settle for a reduced total of seats in the election. If that happens, the UNP will have to turn to the TNA, which appears set to win roughly 20 or so seats. It is unlikely that the UNP, in doing this, would conclude a formal governing pact with the TNA, but rather that the TNA would receive an informal understanding from the UNP on how it (the UNP) would handle peace process matters. So far, neither the UNP nor the TNA have publicly discussed the mechanics of forming any sort of informal alliance. (On the UNP's part, doing so would risk a backlash from voters in the south who resent the pro-LTTE TNA.) Nonetheless, it is widely understood that the UNP would almost certainly reach out to the TNA if doing so would allow the UNP to form the majority in Parliament. One potential fly in the ointment is that it is unclear what impact if any rebel commander Karuna's recent split from the LTTE might have on this scenario. It is not known, for example, whether all MPs under the TNA grouping would work together, or whether the party might break apart into pro-LTTE and pro-Karuna factions. Yesterday's assassination of a "pro-Karuna" TNA candidate further muddies the waters.

16. (C) A victory by the UNP on its own (without the TNA) would be the single best result for the U.S. Since coming to power in December 2001, the UNP has been strongly pro-peace process, as well as pro-economic reform and international investment. The UNP has also been careful to tend to the bilateral relationship and to support the U.S. in multilateral fora such as the WTO and the UN (on Iraq), for example. A UNP/TNA combine, meanwhile, would probably also be good for the peace process and economic reform, as well as bilateral ties. As a coalition, it would not be as stable as the UNP ruling on its own, however. Due to the TNA element, for example, such a linkup would probably come under fierce partisan attack from the UPFA, which would claim that the UNP was too close to the LTTE. One negative factor that would remain in place regardless of whether the UNP wins on its own or with the support of the TNA involves cohabitation with President Kumaratunga. Cohabitation ties, no doubt, would remain stressful and susceptible to regular crises, as they are now. It is possible, however, that the UNP's political momentum following a victory might politically intimidate Kumaratunga for some time after the April 2 election, as happened after the December 2001 election.

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Other Possible (if unlikely) Outcomes  
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17. (C) Outside of these two likely scenarios, there are other considerably less probable outcomes, including a hung parliament in which no grouping can form the majority for an indefinite period. This would be a very negative outcome because the political situation would be unsettled for some time as parties battled each other for majority control. Some parties might take to the streets in efforts to affect the situation. If a hung parliament proved particularly protracted in nature, it is doubtful that the GSL would be able to get much done with respect to either the peace process or economic reforms for months on end. Indeed, President

Kumaratunga might call another round of elections, setting the whole destabilizing process currently taking place in motion again.

18. (C) Another scenario involves the President's SLFP and the UNP forming a "national unity" government. If a SLFP-UNP combine was formed it would probably be as a result of a hung parliament in which there seemed to be no other way to form the next government. With Sri Lanka's two major parties working together, in theory such a government could prove to be good news for the peace process and for economic reforms. Given the intense personal animosity between the President and the PM, however, it is difficult to see how such a government could work together for very long. There have also been some vague reports that President Kumaratunga might try to form a "national unity" government of a different stripe. This would involve the President cherry picking some well-known UNP MPs and enticing them to join her by promising them high-level ministries. If a "national unity" government is formed under such circumstances, it would seem to be a recipe for problems as the rump portion of the UNP would almost certainly fight back hard. (Another twist that has been discussed, along these lines, is that the President would ask a UNP leader other than the PM to form a national unity government. Foreign Minister Tyrone Fernando and Power and Energy Minister Karu Jayasuriya have been mentioned as high-level UNP officials possibly willing to work with Kumaratunga, for example.)

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COMMENT: U.S. Posture in the Coming Days  
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19. (C) With the approach of the election, Sri Lanka appears to be hurtling toward a period marked by even greater uncertainty than usual. It is an open question whether the election will add clarity, or whether it will make the situation even murkier. If the election is a close one, for example, there almost certainly will be significant political maneuvering in the post-election period and it may take some time before a new government is formed. The President is not obliged, under the Constitution, to ask the leader with the largest number of seats to form a government. Rather, she "shall appoint as Prime Minister the Member of Parliament who, in her opinion, is most likely to command the confidence of Parliament." This, of course, gives ample room for mischief-making. (FYI: Political give-and-take among the parties would almost certainly be prolonged by the onset of Sri Lanka's major holiday season involving Sinhalese and Tamil New Year's, which will begin in earnest late next week.)

110. (C) In the meantime, the post-election timeframe could also be marked by a severe uptick in violence as the main LTTE organization tries to knock out rebel commander Karuna in the east. (There are reports that the LTTE has been waiting until after the election to hit out at Karuna in a major way.) Given the tense, confusing situation that may prevail as parties seek to form the next government in Colombo, we recommend that the U.S. remind them, as necessary, to respect democratic norms and to work together in the national interest. If the situation gets bad, we should be prepared to issue public statements and to warn the parties privately that the unprecedented level of U.S. support of the past few years could be jeopardized. END COMMENT.

111. (U) Minimize considered.

LUNSTEAD